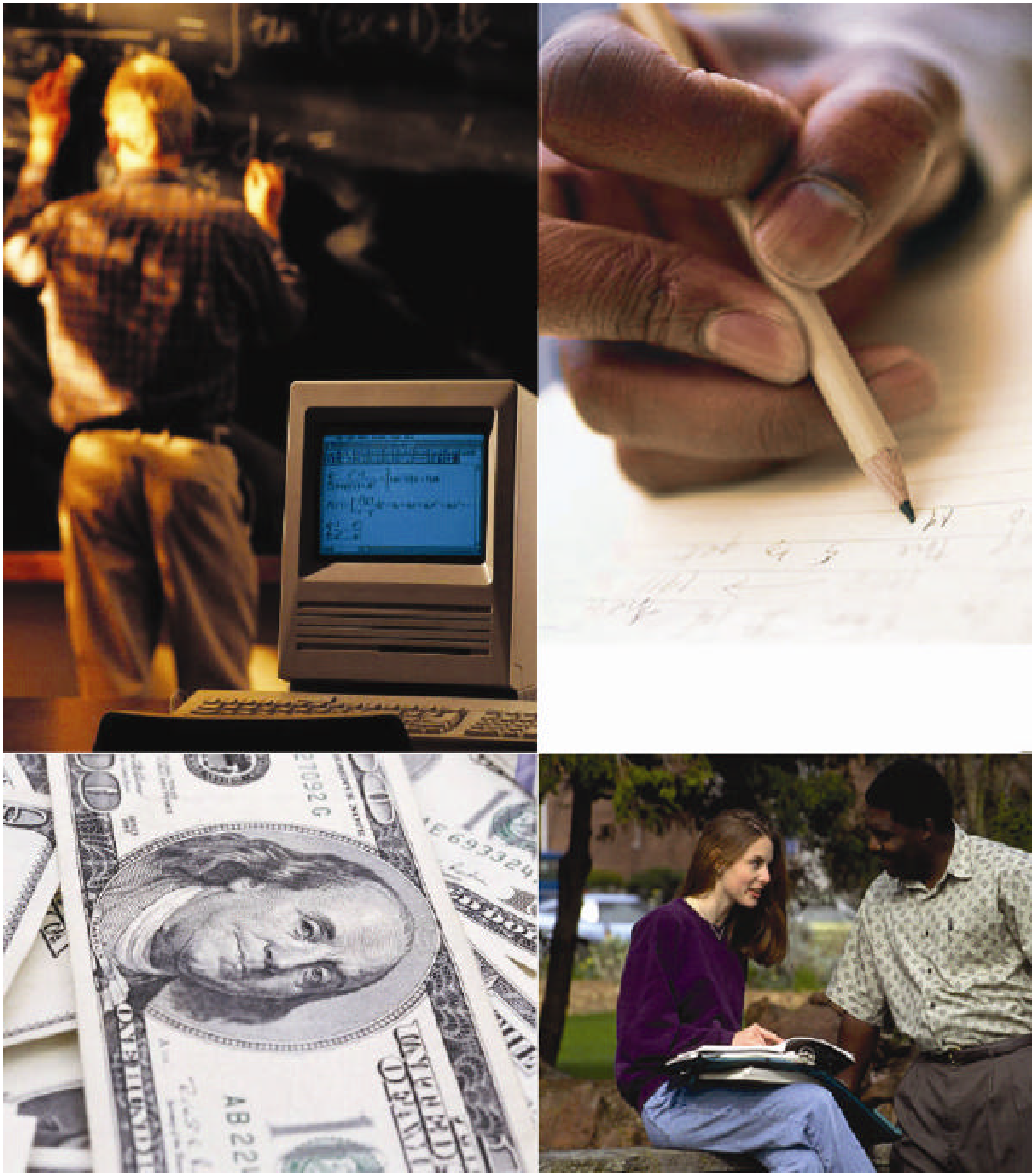

The College Cost Crisis

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A Congressional Analysis of College Costs and Implications for America's Higher Education System by:

Rep. John A. Boehner (R-OH), Chairman,
U.S. House Committee on Education and the Workforce
&
Rep. Howard P. "Buck" McKeon (R-CA), Chairman,
U.S. House Subcommittee on 21st Century Competitiveness

Table of Contents

Introduction

"College costs are oblivious to inflation rates and a tough economy. Higher education is deemed such an essential piece of the success puzzle, colleges feel justified in routinely kicking middle-America in the teeth."

– Paul Daugherty, Cincinnati Enquirer, "Tuition forces parents to pull all-nighters, too," August 24, 2003

As an editorial appearing in the Houston Chronicle recently noted, "[higher] education is at a crisis point, the result of uncontrolled cost increases over the past 20 years that have greatly exceeded the rate of inflation or annual consumer price indexes." ("College Costs: Republicans vow to help poor, middle-income students," editorial, Houston Chronicle, July 28, 2003)

America's higher education system is in crisis. Decades of uncontrolled cost increases are pushing the dream of a college degree further out of reach for needy students. The crisis requires a dramatic response.

According to the Advisory Committee on Student Financial Assistance, cost factors prevent 48 percent of college-qualified high school graduates from attending a four-year institution, and 22 percent from attending any college at all. The statistics are similarly bleak for middle income students and families. At this rate, by the end of the decade, more than 2 million college-qualified students will be completely denied the opportunity for a postsecondary education.

The ongoing college cost explosion is a disturbing trend, and one that cannot be allowed to continue. After all, education is the great equalizer in our nation. It can bridge social, economic, racial, and geographic divides like no other force. It can mean the difference between an open door and a dead end. And nowhere is this truer than in higher education.

A college education has long been viewed as a ticket to prosperity, the gateway to the American dream. And today, higher education is playing a more vital role than ever in shaping our nation's competitiveness. Before our very eyes, the manufacturing economy of the 20th century is being transformed into a knowledge economy, in which a nation's fortunes may be more directly linked than ever to the knowledge and know-how of its workers. Parents, students and taxpayers are investing billions in higher education each year, and institutions must be accountable for ensuring that they're getting a quality return on that investment. A college degree must be more than a piece of paper – it must provide the workers of tomorrow with the skills and knowledge they need to compete in the 21st century.

This year, against this backdrop, the Higher Education Act is scheduled for reauthorization in Congress. The increasing importance of postsecondary education, coupled with the troubling trend of exploding college cost increases that are jeopardizing the ability of low and middle income students to attend college, makes this reauthorization the most pressing item on the congressional agenda for education.

An examination of the college cost crisis is a necessary step for any legitimate higher education reform efforts. The converging climate of record tuition increases, growing public anxiety and even outrage over college cost, and concern at the federal level in the midst of reauthorization of the single most influential piece of legislation governing the nation's higher education system makes this discussion both timely and extremely valuable. The first step in addressing a problem like this is exploring and analyzing its causes and effects. The findings contained in this report do not purport to provide solutions to the cost crisis, nor suggest easy answers to improve the affordability of postsecondary education in America. However, this report is an essential first step to understanding the college cost crisis, its origins and continued causes, and to beginning what will hopefully be a productive and positive dialogue that moves beyond the rhetoric and seeks to find real solutions to address the crisis of college cost in America.

Key Findings in This Report

- ☑ **America's higher education system is in crisis due to exploding college costs.** Tuition increases are outpacing the rate of inflation, increases in family income, and even increases in state and federal financial aid, which have grown tremendously in recent years. These cost increases are pricing students and families out of the college market, and forcing prospective students to "trade down" in their postsecondary educational choices because options that may have been affordable years ago have now been priced out of reach.

- ☑ **It's <u>not</u> just the economy, stupid.** Though many recent accounts attribute the college cost crisis primarily to state budget cuts and difficult economic times, the facts show tuition increases have persisted regardless of circumstances such as the economy or state funding, and have far outpaced inflation year after year, regardless of whether the economy has been stumbling or thriving.

- ☑ **In both good and bad economic times, institutions of higher education have continued to disproportionately increase prices for students and families.** When times are tough, institutions increase tuition; and when times are good, institutions increase tuition as well.

- ☑ **Students and parents are losing patience with higher education "sticker shock."** A backlash is possible, as evidenced by student protests taking place this summer on a number of major U.S. campuses. Public opinion shows widespread concern about the cost of a college education, as well as overall interest in finding solutions and involving the federal government in higher education affordability.

- ☑ **<u>Americans believe institutions of higher learning are not accountable enough to parents, students, and taxpayers – the consumers of higher education.</u>**

- ☑ **Americans do not believe a dramatic increase in federal funding for higher education will solve the college cost crisis.**

- ☑ **Americans believe wasteful spending by college and university management is the number-one reason for skyrocketing college costs.**

- ☑ **The amount of information available to consumers about tuition increases is inadequate, inhibiting the ability of consumers to "comparison shop" and hold institutions accountable for tuition hikes.**

- ☑ **While significant tuition increases are the norm, they are not unavoidable.** This report found a number of instances where colleges have managed, through innovation and diligence, to hold tuition increases to a manageable level or in some cases even reduce tuition. This not only provides hope, but concrete examples that college costs do not necessarily have to increase at such a rapid pace, and it is possible to keep the dream of a college education within reach.

Part One: The Federal Investment in Higher Education

Beginning with the Higher Education Act of 1965, the federal government for nearly four decades has provided significant funding to help ensure that low and moderate income students and families are not prevented from receiving a postsecondary education simply because of financial circumstances. **It is estimated by the U.S. Department of Education that this year alone, the federal government is investing roughly $90 billion in higher education,** with the bulk of that money, about $65 billion, going directly to students through grants, federally-backed loans, work-study opportunities, and various other financial assistance programs.

The cornerstone of federal financial aid for needy students is the Pell Grant – student aid given based upon financial need that students do not need to repay which helps to defray the cost of higher education. Beginning in fiscal year 1973, the Pell Grant program has made the dream of college a reality for millions of students. However, **though funding for the Pell Grant program has increased dramatically over the past three decades, tuition increases at institutions across America have been regularly outpacing the rate of inflation by three to four times – and often more.**

In fact, Pell Grant funding has reached an all-time high under President George W. Bush, reaching approximately $11.4 billion in fiscal year 2003 alone, and increasing every year since he took office. In his most recent budget request, President Bush sought a $1.9 billion increase for the Pell Grant program, a 17.6 percent increase. The fiscal year 2004 education spending bill passed by the House of Representatives in July 2003 would bring total Pell Grant funding to $12.3 billion, an all-time high. *[NOTE: Some media accounts have incorrectly reported that the Bush administration has "cut" Pell Grants as a result of updating the IRS tax tables that are part of the formula used to calculate eligibility for Pell Grants and other forms of federal student aid. But the updates do not result in "cuts" of any kind – and in fact, the U.S. Department of Education is required to update the tables in this fashion under a law passed in 1992 by a Democrat-controlled Congress.]*

A brief history of Pell Grant funding is below[1].

Fiscal Year	Program Funding	Maximum Grant
1973	$122,000,000	$452
1974	$475,000,000	$1,050
1975	$840,000,000	$1,400
1976	$1,326,000,000	$1,400
1977	$1,904,000,000	$1,400
1978	$2,160,000,000	$1,600
1979	$2,431,000,000	$1,800
1980	$2,157,000,000	$1,750
1981	$2,604,000,000	$1,670
1982	$2,419,000,000	$1,800
1983	$2,419,000,000	$1,800
1984	$2,800,000,000	$1,900
1985	$3,862,000,000	$2,100
1986	$3,580,000,000	$2,100
1987	$4,187,000,000	$2,100
1988	$4,260,000,000	$2,200
1989	$4,484,000,000	$2,300
1990	$4,804,000,000	$2,300
1991	$5,376,000,000	$2,400
1992	$5,503,000,000	$2,400
1993	$6,462,000,000	$2,300
1994	$6,637,000,000	$2,300
1995	$6,147,000,000	$2,340
1996	$4,914,000,000	$2,470

1997	$5,919,000,000	$2,700
1998	$7,345,000,000	$3,000
1999	$7,704,000,000	$3,125
2000	$7,640,000,000	$3,300
2001	$8,756,000,000	$3,750
2002	$11,314,000,000	$4,000
2003	$11,365,000,000	$4,050

In addition to the Pell Grant program, which has received record support in the past eight years under a Republican Congress, the federal student aid system also contains additional opportunities for student assistance, including federally-guaranteed student loans, work-study opportunities, and various other financial assistance programs which help students and families afford the cost of a postsecondary education. *(See appendix, Chart A, for a breakdown of various federal student aid programs)*

In the 10 year period ending in 2001-2002, the Consumer Price Index increased by 30 percent, while median family income increased by 40 percent. **In that same time period, federal student aid increased by 161 percent.** There is no question that the federal contribution to student aid programs has been significant, and has increased much more quickly than the rate of inflation in order to keep pace with college costs. However, college costs have risen dramatically over the past three decades, and even the immense federal contribution has struggled to keep pace with skyrocketing tuition increases.

The idea of affordability in higher education is not a new one, particularly for members of Congress. In 1997, Congress established the National Commission on the Cost of Higher Education. The Commission was to study the many factors surrounding the rising costs of education, including trends associated with those increases and all of the factors that go into those costs. It was also to examine the extent to which increases in institutional financial aid and tuition discounting affected tuition increases.

Based on its review of college affordability, the Commission arrived at five key convictions about the college cost and price crisis:

- The United States has a world-class system of higher education.
- The concern about rising college prices is real.
- The public and its leaders are concerned about where higher education places its priorities.
- Confusion about cost and price abounds and the distinction between the two must be recognized and respected.
- Rising costs are just as troubling a policy issue as rising prices.

The Commission's report also provided five specific recommendations to address these issues:

- Strengthen institutional cost control.
- Improve market information and public accounting.
- Deregulate higher education.
- Rethink accreditation.
- Enhance and simplify federal student aid.

Some key excerpts from the Commission's report follow: *(emphasis added)*

> *Public anxiety about college prices has risen along with increases in tuition. It is now on the order of anxiety about how to pay for health care or housing, or cover the expenses of taking care of an elderly relative. Financing a college education is a serious and troublesome matter to the American people.*

> *Each member of this Commission understands this anxiety. We treat it seriously. We do not take lightly the public concern generated by increases in tuition. Worry about college prices, the difficulty of planning for them, and the amount of debt they entail dominated a discussion group of parents convened by the Commission in Nashville in November 1997.* ***Members of the Commission are equally convinced that if this public concern continues, and if colleges and universities do not take steps to reduce their costs, policymakers at the Federal and state levels will intervene and take up the task for them.***
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> *What concerns this Commission is the possibility that continued inattention to issues of cost and price threatens to create a gulf of ill will between institutions of higher education and the public they serve. We believe that such a development would be dangerous for higher education and the larger society. In the end, academic institutions must be affordable and more accountable.* ***The Commission is worried that many academic institutions have not seriously confronted the basic issues involved with reducing their costs and that most of them have also permitted a veil of obscurity to settle over their basic financial operations.***
>
> *If tuition had doubled over the past decade but incomes tripled during that same time, the general public may not be nearly as concerned about the affordability of higher education. However, the fact is that by two common measures of income -- median household income and per capita disposable income -- college tuition increased faster than income.*
>
> *This Commission finds itself in the discomfiting position of acknowledging that the nation's academic institutions, justly renowned for their ability to analyze practically every other major economic activity in the United States, have not devoted similar analytic attention to their own internal financial structures. Blessed, until recently, with sufficient resources that allowed questions about costs or internal cross-subsidies to be avoided, academic institutions now find themselves confronting hard questions about whether their spending patterns match their priorities and about how to communicate the choices they have made to the public.*

While these recommendations have been publicly available since 1998, little progress has been made toward implementing the strategies outlined to help rein in escalating college costs. A portion of the recommendations must be undertaken at the federal level, and for that reason, will be seriously considered along with the reauthorization of the Higher Education Act this year. However, many of the suggestions apply to the inner workings of institutions of higher education, and do not require an act of Congress to be undertaken. **If this college cost crisis is to be solved, a good faith effort must be made by institutions and the greater higher education community to acknowledge the problem and work toward solutions.**

The federal government has a long history of involvement with higher education. Even before the Higher Education Act came to be in 1965, the passage of the GI bill after World War II opened the doors of higher education for thousands of families who would not have otherwise had the opportunity. The Higher Education Act built upon that premise that higher education was not a luxury of the elite but an opportunity for the masses, and extended further the availability of a postsecondary education for those striving for it.

As the federal government invests tens of billions of dollars in higher education each year, making the dream of college a reality for millions of students, it is only natural and in fact necessary for questions to arise about the efficiency with which those dollars are being spent. Keeping college affordable will help federal student aid go further for students and families, and ensure that more students can be served.

Part Two: Historical Perspective on College Cost Increases

College cost increases have dominated back to school stories in the media this fall, with tuitions jumping as much as 40 percent or more at both public and private colleges and universities across the nation. Although this disturbing trend is regularly blamed on the budget woes of the states facing difficult economic conditions, this analysis overlooks the long-term trends of college costs. America is facing a college cost crisis. This crisis is not the result of a bad economy and a few difficult years for institutions of higher education. **The crisis exists because for decades, tuitions have been rising at a rate much more rapid than family income or student aid can keep pace with, and a boiling point has been reached in which students and families are losing out on the opportunity for higher education.** Now, as higher education becomes increasingly important in a technologically-dominated world, higher education should be more accessible, not less.

According to the College Board, in the 1970s there was little, if any, real growth in college prices. In the early 1980s, however, tuition and fees began to grow much more rapidly than consumer prices – in fact, during the 1980s, the cost of attending college rose over three times as fast as median family income. This trend of rapidly-increasing college costs has continued through the 1990s. Over the ten-year period ending in 2002–2003, *after adjusting for inflation*, average tuition and fees at both public and private four-year colleges and universities rose 38 percent. *(See appendix, Chart B, for tuition increases 1977 - 2002)* And according to information gathered from the College Board and the Census Bureau, over the last 22 years (since 1981), the cost of a public four-year college education has increased by 202 percent, while the CPI has gone up only 80 percent.

This year, average tuition and fees at a public four-year institution is over $4,000, an increase of 9.6 percent over last year. Average tuition and fees at a private college or university is over $18,000, an increase of 5.8 percent over last year's average. These increases exceeded the rise in the Consumer Price Index by 8.4 and 4.7 percent, respectively, and these figures do not include the additional costs associated with higher education, including room and board, books and supplies, lab fees and additional academic costs, transportation, and other personal expenses. Students attending four-year public colleges and universities in all 50 states will feel the squeeze of tuition hikes this fall, with every state in the nation increasing tuition to some degree.

The tuition increases facing students this year are not symptomatic of a single cause such as difficult economic circumstances, but are the culmination of years of disproportionate cost increases caused by a wide variety of influences and factors. *(See appendix, Chart C, for a comparison of how college costs have climbed over the previous two decades in comparison to the Consumer Price Index, which is used as a standard measure of the increase in the cost of goods and services, also commonly referred to as inflation.)*

Are Colleges Accountable Enough for Tuition Hikes?

Many observers believe the endlessly increasing tuition rates today's parents and students have been forced to contend with are largely the result of a lack of accountability within the higher education system. Thanks to a combination of factors – including a shortage of easily-compared information about tuition increases, and a willingness by government leaders to continue to subsidize higher education regardless of whether institutions make responsible decisions – **consumers of higher education (parents and students) are denied the ability to exercise the kind of leverage they would normally expect to have in the marketplace.**

A recent Newsweek article explores the college cost issue, interviewing a variety of individuals involved with higher education in an effort to identify the root of the problem for parents and students. While state funding cuts are taking a toll, the article notes, colleges are also increasing their expenditures, and they aren't always making the kind of sound economic decisions one might expect them to make in response to consumer unrest.

"Even as budgets are being squeezed, costs are escalating," the Newsweek account notes. "To compete in cutting-edge science and technology fields, for instance, universities are shelling out millions for research facilities. But because administrators can be more concerned about raising a college's profile than streamlining operations, says [National Center for Public Policy and Higher Education president Patrick] Callan, they don't always act the way a private business might – like making all of a campus's divisions negotiate jointly with vendors for lower prices." (Arian Campo-Flores, "Why It Costs So Much; Tough Times hurt funding, but schools keep spending," Newsweek, September 1, 2003).

Because parents and students keep coming back for more, there is "no market constraint to keep them from raising tuition," Newsweek quotes Ronald Ehrenberg, director of the Cornell Higher Education Research Institute, as saying. "People continue to knock on their doors." And, of course, the federal government continues to increase spending for higher education programs.

A recent analysis appearing in Forbes suggests dramatic increases in federal spending for higher education programs have only made colleges and universities less accountable to parents and students.

"Over the past three decades the Federal Government has poured three-quarters of a trillion dollars into financial aid for college students," observes writer Ira Carnahan. "So why is college getting less – not more – affordable? One answer seems to be that all those federal dollars have given colleges more room to jack up tuition. . .The more cash the government pumps into parents' pockets, the more the schools siphon from them." ("Back to School: Why federal college aid makes school more expensive," Ira Carnahan, Forbes, September 1, 2003).

Greater competition in higher education, Carnahan's sources suggest, would go a long way toward bringing college costs back down to Earth. Increasing competition among institutions would generate unforeseen savings that "would probably come out of frills like lavish recreational facilities and the salaries and generous perks that are paid to the tenured faculty and senior administrators" at many expensive institutions, Brown University economist Herschel Grossman is quoted as saying by Forbes.

"Academia loves Washington's financial aid but seldom feels any obligation to reciprocate," wrote Dr. David Hill in a recent op-ed (Hill, "College costs become a GOP issue," The Hill, July 30, 2003). But, Hill suggests, the public's tolerance for endless tuition increases may be wearing thin. "[With] even higher tuition rates being proposed, it is evident that widespread public revolt is possible," he observes.

"University officials say they need independence in setting tuition to build better programs, improve efficiencies and hire top rated faculty. But in doing so they must be careful. . .not to price students out of college," warned the Houston Chronicle in a July 28, 2003 editorial supporting congressional efforts to address the college cost crisis. "Our state must have more college educated citizens to grow and prosper. . .That will require sensible cost controls over college and university budgets and finding more effective ways to spend higher education dollars."

In the National Commission on the Cost of Higher Education's 1998 report to Congress entitled *Straight Talk about College Costs and Prices,* the Commission reported that, **"Institutions of higher education, even to most people in the academy, are financially opaque. Academic institutions have made little effort, either on campus or off, to make themselves more transparent, to explain their finances. As a result, there is no readily available information about college costs and prices nor is there a common national reporting standard for either."**

Students & Parents Take a Stand Against Skyrocketing Tuition

"I have several friends who said they aren't going to be able to come back or they will have to cut back on their other activities, like clubs and student government, to take on another job." – a State University of New York junior, reacting to a 28 percent increase in tuition for the coming semester, as quoted by the Associated Press. (Gormley, "Students, families deal with tuition bills," Associated Press, July 28, 2003).

The college cost crisis is having its most devastating impact on U.S. students, who are most vulnerable to tuition hikes, since many are working their way through school on a shoestring budget.

On July 24, 2003, a group of University of California students filed a class action lawsuit in San Francisco Superior Court in an attempt to block university fee increases, which the student plaintiffs say were made without sufficient advance notice. "I don't know if I'll be able to enroll in school this semester," said Mo Kashmiri, a third-year law student at U.C. Berkeley, noting his bill for this fall will be $2,500 higher than last fall.

A May 1 article in the Boston Globe detailed the realities students encounter when faced with tuition increases. "Already working 48 hours a week at a laminating company to pay for his full-time course load at Framingham State College, freshman Brian Avery sighed and shook his head at the prospect of state budget cuts boosting his bill by as much as $1,000 next year. 'It just means more hours, more loans,' he said. 'It puts a damper on the mood around here. A lot of students here pay their own way, which is hard to do. This makes it harder.'" (Schworm, "Rising Costs Worry Students," Boston Globe, May 1, 2003).

Similarly, an Associated Press piece described the extreme measures students must undertake to make ends meet when facing tuition hikes. "Students such as [Brandon] Cox, an in-state philosophy major paying his way through college, have been particularly hard-hit. He is taking 20 credit hours per semester and expects his tuition to rise by $800 this year. 'It's almost come to the point of starvation a few times, but I've always managed to find something,' Cox said. 'The plasma center will pay you $20 a pint – if you're willing to bleed for two hours.'" (AP, "Tuition Hikes slamming middle-class students," Associated Press, August 25, 2003).

Part Three: Public Perceptions on Higher Education Affordability

In survey after survey, public opinion of higher education generally surrounds two themes: higher education is both an important factor in achieving success, and a costly proposition that is becoming less and less affordable. This means that families across the nation believe there is significant value to a higher education, but struggle to afford the ever-increasing price tag. These findings are troubling to say the least, particularly when viewing the trend of cost increases and the number of families who, though they believe postsecondary education in growing increasingly important, are priced out of the college market.

A May 2002 report entitled *The Affordability of Higher Education: A Review of Recent Survey Research*[2] from the National Center for Public Policy and Higher Education helps shed light on public opinion surrounding both the importance and affordability of higher education. Excerpts and findings from the report follow.

The Importance of Higher Education

"In the view of most Americans, a college education has now taken on the importance that a high school education had in the past, and has become a necessary ingredient for a good job and comfortable lifestyle. This value is shared even more widely among African-American and Hispanic parents."

- 84 percent of those surveyed say that it is extremely or very important to have a college degree, and 77 percent say that getting a college education today is more important than it was ten years ago.

"The majority of Americans feel that colleges and universities do a reasonably good job, but public opinion is divided on whether a higher education is worth the prices that are charged."

- 75 percent are completely or somewhat satisfied with the quality of education received in American colleges and universities today, yet only roughly half of those surveyed say a four-year college education is usually worth the price charged.

"Americans are especially divided about the value of college when a price tag is mentioned. Forty-seven percent say that a person gets enough out of a college education to justify spending from $7,000 to $18,000 a year for it [average cost range surveyed], as compared to 40 percent who think the expense is not justified [and 13 percent who are unsure of the value]."

Affordability of Higher Education

"Many Americans, especially parents, are concerned about the price of higher education. Although they know very little about the details, they feel that rising prices threaten to make higher education inaccessible to many people."

- 69 percent of the parents of high school students are worried about being able to afford their children's college education.
- 70 percent think that higher education is being priced beyond the income of the average family, as compared to only 44 percent who feel that the cost of a house is being priced out of reach, 36 percent who feel this way about the cost of a secure retirement, and 24 percent who feel this way about the cost of a car.
- 83 percent agree that colleges should be doing a much better job of keeping their costs down, 73 percent say that it is absolutely essential that college administrators focus on controlling costs and spending money efficiently, and 60 percent say that it is absolutely essential that college administrators focus on keeping the price of tuition from rising.

Additional Public Opinion Data

A June 2003 survey released by Educational Testing Service (ETS) entitled *Quality, Affordability, and Access: Americans Speak on Higher Education*[3] shows similar findings on public opinion surrounding higher education. Among the results:

- 60 percent of college students and 66 percent of college faculty identified rising tuition and other costs as the biggest problem facing colleges and universities.
- When describing what the federal role in higher education should be, of those surveyed, 46 percent said the federal government should have a significant role in affordability and accountability, 38 percent said the federal government should have a significant role in helping families afford college, and 14 percent believed the federal government's role should be limited.
- **Americans believe wasteful spending by college and university management is the number-one reason for skyrocketing college costs.** 33 percent of those polled identified college waste as one of the two primary factors driving tuition rates to unacceptable levels, with another 26 percent indicating institutions are engaging in too much spending on construction projects such as student common areas, dormitories, and sports facilities. By comparison, only 21 percent identified "decreasing aid from state and local governments" as a primary factor.
- **Americans do not believe a dramatic increase in federal funding is the answer to the college cost crisis.** 45 percent of American adults believe federal funding for the Higher Education Act should remain the same, and 7 percent actually support decreasing it. 37 percent support increasing Higher Education Act funding.

Public opinion of higher education reveals that, while Americans believe it is becoming more and more important to go to college, that college education is becoming less and less affordable, and therefore there are fewer postsecondary educational options available. One participant in a focus group conducted as part of the National Center for Public Policy and Higher Education survey explained what tuition increases mean to families in this way.

"It is like getting a new car. Almost everyone can get a new car, but now many people might only be able to afford a Kia. But suppose I want a Buick. That used to be a middle class car, but it isn't any more. So now people in the middle class can't afford to buy what used to be the middle class car, let alone something above like a Lexus. In the old days, a middle class family could afford a better college, but now you are going to have to trade down. The same person who would have been going full time before is now going part time, or going to a community college for the first two years."

This idea of "trading down" persisted in many answers of participants in the focus group. The report concludes that, "In effect, these respondents explained that college is getting more expensive and that many are being priced out of choices that would have been available in the past."

Another explanation for public opinion surrounding college affordability is the previous statistics showing a broad public belief that higher education is a key component of achieving success. The public believes that because a college education is so important to success in life, they must simply swallow the cost increases because they cannot afford *not* to get a postsecondary education.

Part Four: National Trends – a State by State Analysis

College cost increases are pinching students and families in every state across the nation. Following is a state by state breakdown of increases in tuition and fees at public two- and four-year institutions, changes in state per capita personal income, and state appropriations for higher education for fiscal year 2002-2003 as compared to fiscal year 2001-2002[4].

State	% Tuition Change 2-year Institution	% Change Tuition 4-year Institution	% Increase in Per Capita Income	% Change in State Appropriation
Alabama	7% Increase	7% Increase	2%	3% Increase
Alaska	3% Increase	3% Increase	3%	4% Increase
Arizona	5% Increase	4% Increase	1%	3% Increase
Arkansas	17% Increase	7% Increase	4%	<1% Increase
California	Unchanged	5% Increase	1%	1% Increase
Colorado	6% Increase	8% Increase	<1% *decrease*	8% Increase
Connecticut	8% Increase	9% Increase	1%	1% Increase
Delaware	6% Increase	7% Increase	4%	3% Increase
Florida	3% Increase	5% Increase	2%	7% Increase
Georgia	4% Increase	5% Increase	2%	2% Increase
Hawaii	<1% Increase	3% Increase	2%	6% Increase
Idaho	10% Increase	12% Increase	2%	6% Decrease
Illinois	7% Increase	9% Increase	1%	4% Decrease
Indiana	14% Increase	13% Increase	2%	<1% Increase
Iowa	10% Increase	20% Increase	2%	2% Decrease
Kansas	7% Increase	7% Increase	4%	<1% Decrease
Kentucky	6% Increase	11% Increase	3%	3% Increase
Louisiana	6% Increase	4% Increase	5%	6% Increase
Maine	Unchanged	5% Increase	4%	1% Increase
Maryland	9% Increase	8% Increase	3%	1% Increase
Massachusetts	26% Increase	24% Increase	1%	3% Decrease
Michigan	4% Increase	9% Increase	1%	Unchanged
Minnesota	11% Increase	11% Increase	2%	3% Increase
Mississippi	9% Increase	10% Increase	4%	1% Increase
Missouri	10% Increase	20% Increase	2%	10% Decrease
Montana	4% Increase	15% Increase	2%	3% Decrease
Nebraska	4% Increase	10% Increase	5%	Unchanged
Nevada	3% Increase	3% Increase	1%	7% Increase
New Hampshire	17% Increase	8% Increase	1%	3% Increase
New Jersey	5% Increase	13% Increase	3%	2% Increase
New Mexico	3% Increase	9% Increase	4%	2% Increase
New York	1% Increase	2% Increase	Unchanged	6% Increase
North Carolina	10% Increase	19% Increase	1%	Unchanged
North Dakota	11% Increase	14% Increase	4%	Unchanged
Ohio	8% Increase	17% Increase	2%	1% Increase
Oklahoma	6% Increase	9% Increase	4%	2% Increase
Oregon	6% Increase	3% Increase	2%	11% Decrease
Pennsylvania	1% Increase	11% Increase	4%	Unchanged
Rhode Island	9% Increase	7% Increase	4%	3% Decrease
South Carolina	26% Increase	15% Increase	2%	3% Decrease
South Dakota	n/a	8% Increase	5%	4% Increase
Tennessee	7% Increase	8% Increase	2%	8% Increase
Texas	9% Increase	20% Increase	1%	1% Increase
Utah	9% Increase	8% Increase	1%	3% Decrease
Vermont	6% Increase	5% Increase	3%	6% Increase
Virginia	13% Increase	9% Increase	<1%	5% Decrease
Washington	14% Increase	13% Increase	<1%	Unchanged
West Virginia	5% Increase	10% Increase	4%	<1% Increase
Wisconsin	11% Increase	8% Increase	3%	1% Increase
Wyoming	5% Increase	7% Increase	4%	17% Increase

For 2002-2003, thirty-eight states either increased appropriations for higher education or held funding steady at last year's levels – and still, tuition increased at public four-year institutions in all 50 states, and tuition increased at public two-year institutions in 47 states.

However, understanding national trends requires data in addition to just this year. The following chart shows the same statistical figures, but analyzes trends over the past *decade,* rather than just the past year.[5]

*This chart reflects dollar changes *adjusted for inflation* to accurately reflect trends over the previous decade

+Reflects State Per Student Appropriations

State	% Tuition Change 2-year Institution*	% Change Tuition 4-year Institution*	Change in Median Family Income*	% Change in State Appropriation*+
Alabama	54% Increase	41% Increase	8% Increase	18% Increase
Alaska	32% Increase	35% Increase	6% Increase	6% Decrease
Arizona	13% Increase	24% Increase	12% Increase	3% Increase
Arkansas	56% Increase	77% Increase	2% Increase	4% Increase
California	24% Increase	2% Increase	7% Increase	38% Increase
Colorado	25% Increase	17% Increase	22% Increase	1% Decrease
Connecticut	17% Increase	21% Increase	20% Increase	22% Increase
Delaware	30% Increase	13% Increase	13% Increase	9% Increase
Florida	24% Increase	18% Increase	8% Increase	40% Increase
Georgia	7% Increase	20% Increase	14% Increase	24% Increase
Hawaii	83% Increase	79% Increase	6% Increase	25% Decrease
Idaho	23% Increase	63% Increase	15% Increase	6% Increase
Illinois	13% Increase	27% Increase	18% Increase	26% Increase
Indiana	4% Increase	27% Increase	17% Increase	10% Increase
Iowa	33% Increase	22% Increase	15% Increase	9% Increase
Kansas	32% Increase	15% Increase	10% Increase	11% Increase
Kentucky	64% Increase	44% Increase	12% Increase	28% Increase
Louisiana	4% Increase	11% Increase	4% Increase	2% Increase
Maine	12% Increase	12% Increase	10% Increase	7% Increase
Maryland	24% Increase	43% Increase	20% Increase	15% Increase
Massachusetts	15% Decrease	17% Decrease	21% Increase	47% Increase
Michigan	1% Decrease	39% Increase	22% Increase	19% Increase
Minnesota	29% Increase	24% Increase	25% Increase	3% Increase
Mississippi	7% Increase	17% Increase	8% Increase	49% Increase
Missouri	93% Increase	33% Increase	20% Increase	28% Increase
Montana	26% Increase	46% Increase	1% Increase	22% Decrease
Nebraska	22% Increase	39% Increase	13% Increase	13% Increase
Nevada	24% Increase	9% Increase	11% Increase	17% Decrease
New Hampshire	n/a	52% Increase	19% Increase	11% Increase
New Jersey	21% Increase	47% Increase	14% Increase	10% Increase
New Mexico	<1% Increase	34% Increase	8% Increase	9% Increase
New York	10% Increase	11% Increase	9% Increase	7% Increase
North Carolina	41% Increase	47% Increase	13% Increase	21% Increase
North Dakota	2% Decrease	34% Increase	13% Increase	3% Increase
Ohio	4% Increase	32% Increase	17% Increase	33% Increase
Oklahoma	25% Increase	27% Increase	6% Increase	20% Increase
Oregon	52% Increase	14% Increase	15% Increase	2% Decrease
Pennsylvania	14% Increase	22% Increase	20% Increase	14% Increase
Rhode Island	2% Decrease	12% Increase	17% Increase	15% Increase
South Carolina	52% Increase	23% Increase	14% Increase	4% Increase
South Dakota	n/a	45% Increase	20% Increase	9% Decrease
Tennessee	42% Increase	62% Increase	13% Increase	2% Increase
Texas	29% Increase	63% Increase	8% Increase	19% Increase
Utah	7% Increase	16% Increase	14% Increase	11% Increase
Vermont	29% Increase	15% Increase	12% Increase	3% Decrease
Virginia	25% Decrease	10% Decrease	21% Increase	29% Increase
Washington	38% Increase	36% Increase	14% Increase	2% Increase
West Virginia	30% Increase	18% Increase	4% Increase	7% Increase
Wisconsin	37% Increase	32% Increase	23% Increase	9% Increase
Wyoming	47% Increase	56% Increase	10% Increase	3% Increase

Part Five: Moving Beyond Excuses; Bucking the Trend and Keeping Costs in Check to Keep Education Within Reach

Although tuition increases are clearly a nationwide problem affecting students and families in all types of institutions and courses of study, it is important to highlight success as well as failure. Many institutions, *facing the same economic circumstances as the rest of the higher education community*, have chosen not to rapidly increase tuition, and instead to explore cost reduction measures, find improvements in administrative efficiency, and work toward numerous other strategies that seek proactive solutions to keep college affordable.

The fact is, just over 550 postsecondary education institutions either lowered tuitions, held them steady, or increased tuitions by a rate no more than the rise in CPI from 2000 to 2002. However, this stands in stark contrast to the more than 3,000 institutions which increased tuitions at a rate greater than CPI over that same time period.

There are numerous examples of both single institutions and entire educational systems that have been successful in reining in tuition and cost increases to keep college affordable. On July 10, 2003, the 21st Century Competitiveness Subcommittee heard testimony in a hearing entitled "Affordability in Higher Education: We know there's a problem; what's the solution?" Two witnesses in particular stood out as they testified on their experience with successfully holding down both institutional costs and in turn, tuitions.

Dr. Patrick Kirby, dean of enrollment services at Westminster College in Fulton, Missouri, discussed how and why his University has successfully managed to not only keep costs from rising too rapidly, but actually managed to *lower* their tuition in an effort to attract and retain more students.

"Your Subcommittee has identified one of the greatest issues facing many college students and their families today and, in turn, colleges and universities. The ramifications of ever-increasing costs for higher education are certainly far-reaching and multi-layered. It is my hope that our recent experience with a successful tuition reduction plan at Westminster will serve this Subcommittee as a helpful case study of one possible path toward the types of solutions you are seeking.

"In the past decade, Westminster, like many private colleges, has struggled with the same issues on which your Subcommittee is now focused. If we could make our college more affordable, could we enroll more students and simultaneously provide more choices to these students who are seeking a post secondary education? We felt strongly that if we addressed and solved the affordability issue, we could accomplish these over-arching goals and likewise reap positive benefits for the College. So, we embarked upon some targeted research, detailed planning, and admittedly, some calculated risks. That preparation resulted in our October 2002 announcement of our Tuition Reduction program, which took effect for any new Westminster students planning to enroll for the upcoming Fall 2003 semester.

"We knew, from follow-up surveys with students who did not choose Westminster College, that their primary reasons were 'affordability' and 'size.' **Sticker shock was mentioned too often; we could not ignore these warning signs.** Further, a study commissioned in the spring of 2002 by the Art and Science Group, a research company in Baltimore, found that the economy had an effect on the decision of 50 percent of college students looking at four-year private colleges and universities.

"By making our College more affordable, we thought we could increase our enrollment and simultaneously broaden the socio-economic backgrounds of our students on campus. Thus far, that is exactly what is happening for our Fall 2003 enrollment! We are now expecting the largest enrollment in our College's 152-year history, bolstered by a much larger freshman class. **And, this is in the midst of a tough economy for many students and their families!**

"Over the past ten years, the rise in college tuition has outpaced increases in both family earnings and the Consumer Price Index. Most research states that 'costs' are reducing student's options for higher education and that most private schools are not affordable for most families.

"Admittedly, eligibility for federal and state financial aid programs impacts students differently. But what has occurred in the past decade is that students and their parents must use more of their own resources to finance the student's education. That would be okay if families have those resources, but a large proportion of families do not. Many more students now borrow funds from state and federal loan programs to meet their costs. And many private colleges and universities, in their ever-challenging need to maintain enrollment numbers and operating income, feel compelled to use more financial aid to offset higher tuition for students.

"At Westminster College, using more and more of our financial aid to offset higher tuition was a double-edged sword. Increasing financial aid led to higher tuition – which in turn created the need for more financial aid. **The result was an endless spiral of increased costs, much of which was absorbed by parents and students. By reducing tuition, we have made the college more affordable to more families, and simultaneously increased our enrollment.**"

The Wisconsin Association of Independent Colleges and Universities (WAICU), has undertaken a similar effort to make institutional, and in fact state-wide, improvements in cost-effectiveness to address head-on the cost increases facing their institutions. Dr. Rolf Wegenke, President of WAICU, described his experiences with the *WAICU Collaboration Project*, an effort undertaken by the WAICU member institutions in the state of Wisconsin to control costs while maintaining program quality.

"The *WAICU Collaboration Project* is a comprehensive initiative to perform all administrative support (back office) functions of Wisconsin's 20 private colleges and universities on a collaborative basis. The objectives are to save money, to improve the quality of services to students, faculty, and staff, and to serve as a national model for controlling college costs. This project moves beyond incrementalism. Never before in history have private colleges and universities considered as extensive a consolidation of functions short of an actual merger. It sends a message to the entire nation that something transformative has taken place."

Given these two examples, and the fact that as mentioned above, more than 500 institutions were able to keep tuitions within the rise in inflation or less from 2000 - 2002, there is clearly hope for increased affordability in higher education.

Analysis and Conclusion

In 1965 our nation took a fundamental first step toward making college a reality for millions of low income students with passage of the Higher Education Act. Today, students across America are achieving the dream of a college education with help from federal resources such as Pell Grants, federally-backed student loans, work-study programs, and other financial aid opportunities that help defray the cost of college.

However, the gains of the Higher Education Act are being severely hampered by what can only be described as a college cost crisis. This crisis, plaguing students and families in all 50 states, holds devastating implications for the future of higher education in America. The severity of this crisis cannot be overstated – students and families are losing out on the opportunity for a postsecondary education even now, as our society is placing an ever-increasing value on education beyond high school. College is becoming more essential and less affordable at the same time, and this spells disaster for low and moderate income students and families. This report sought to explore the college cost crisis in America, and the findings paint a bleak picture.

- **America's higher education system is in crisis due to exploding college costs.** Tuition increases are outpacing the rate of inflation, increases in family income, and even increases in state and federal financial aid, which have grown tremendously in recent years. These cost increases are pricing students and families out of the college market, and forcing prospective students to "trade down" in their postsecondary educational choices because options that may have been affordable years ago have now been priced out of reach.
- **It's <u>not</u> just the economy, stupid.** Though many recent accounts attribute the college cost crisis primarily to state budget cuts and difficult economic times, the facts show tuition increases have persisted regardless of circumstances such as the economy or state funding, and have far outpaced inflation year after year, regardless of whether the economy has been stumbling or thriving.
- **In both good and bad economic times, institutions of higher education have continued to disproportionately increase prices for students and families.** When times are tough, institutions increase tuition; and when times are good, institutions increase tuition as well.
- **Students and parents are losing patience with higher education "sticker shock."** A backlash is possible, as evidenced by student protests taking place this summer on a number of major U.S. campuses. Public opinion shows widespread concern about the cost of a college education, as well as overall interest in finding solutions and involving the federal government in higher education affordability.
- **<u>Americans believe institutions of higher learning are not accountable enough to parents, students, and taxpayers – the consumers of higher education.</u>**
- **Americans do not believe a dramatic increase in federal funding for higher education will solve the college cost crisis.**
- **Americans believe wasteful spending by college and university management is the number-one reason for skyrocketing college costs.**
- **The amount of information available to consumers about tuition increases is inadequate, inhibiting the ability of consumers to "comparison shop" and hold institutions accountable for tuition hikes.**
- **While significant tuition increases are the norm, they are not unavoidable.** This report found a number of instances where colleges have managed, through innovation and diligence, to hold tuition increases to a manageable level or in some cases even reduce tuition. This not only provides hope, but concrete examples that college costs do not necessarily have to increase at such a rapid pace, and it is possible to keep the dream of a college education within reach.

The college cost crisis is not likely something that can be "solved" by simple changes. Rather, solutions will come from increased awareness and understanding, commitment from the higher education community to not only acknowledge the problem but work toward addressing it, and broad cooperative efforts from all stakeholders in higher education to make a concerted effort to improve the affordability of higher education in America.

No longer can college cost increases be blindly accepted part and parcel, with little concern for the impact on American families. No longer can the immense federal contribution to higher education be consumed by costs that are swallowing student and family budgets. No longer can lawmakers stand idly by while millions of students are forced to trade down their higher education aspirations, and in some cases give up on postsecondary education entirely simply because it costs too much. Solutions will not be easy, but as a nation, we cannot afford *not* to address the issue of affordability in higher education. The college cost crisis is real, and it must be addressed for the good of our higher education system and for the good of our nation.

Endnotes

[1] *Federal Pell Grant Program of the Higher Education Act: Background and Reauthorization*. James B. Stedman, Domestic Social Policy Division, Congressional Research Service. August 22, 2003.

[2] *The Affordability of Higher Education: A Review of Recent Survey Research.* John Immerwahr, National Center for Public Policy and Higher Education. May 2002

[3] *Quality, Affordability, and Access: Americans Speak on Higher Education,* Key Findings from Surveys and Focus Groups, conducted by Peter Hart and Robert Teeter for Educational Testing Service. June 2003.

[4] *College Affordability in Jeopardy*, Supplement to *Losing Ground: A National Status Report on the Affordability of American Higher Education*. National Center for Public Policy and Higher Education. Winter 2003.

[5] *Losing Ground: A National Status Report on the Affordability of American Higher Education*. National Center for Public Policy and Higher Education. May 2002.

Appendix

CHART A – Breakdown of federal student aid in Title IV of the Higher Education Act

Department of Education
Student Aid Available - 2003

Pell Grants	$11,466,000,000
Supplemental Educational Opportunity Grants	962,000,000
Work-Study	1,209,000,000
Perkins Loans	1,201,000,000
Leveraging Educational Assistance Partnerships	170,000,000
Loan Forgiveness for Child Care Providers	1,000,000
Federal Family Education Loans	31,536,000,000
Ford Direct Student Loans	12,763,000,000
Total	59,308,000,000

CHART B – Tuition increases 1977 – 2002

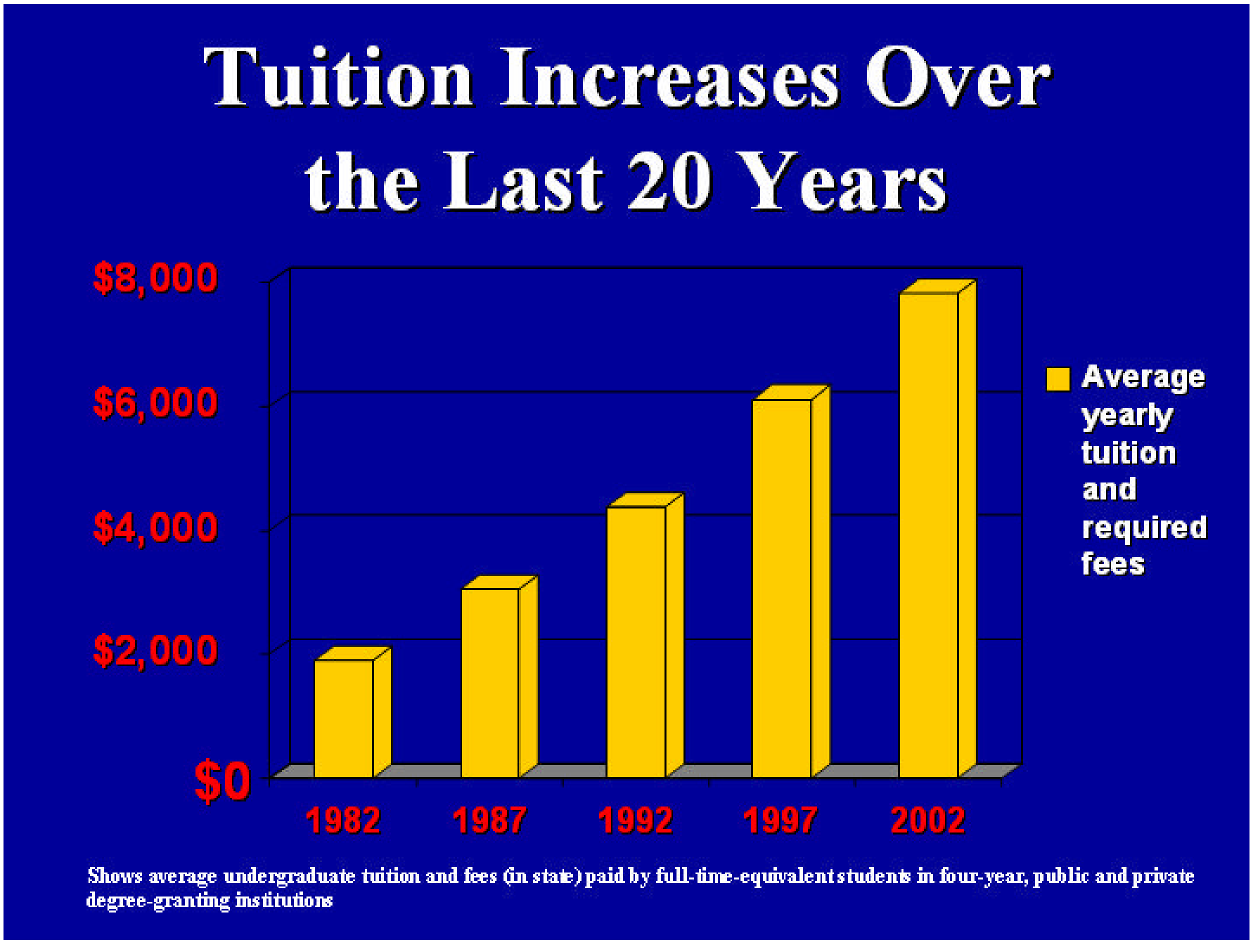

CHART C – Tuition increases versus the rise in the Consumer Price Index 1982 - 2002